

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

SHOALS COMMUNITY SCHOOL CORPORATION

MARTIN COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
06/09/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lisa C. Elliott	07-01-12 to 12-31-16
Superintendent of Schools	Dr. Joan Keller Candace Roush	07-01-12 to 06-30-14 07-01-14 to 06-30-17
President of the School Board	Glen Anthony Cundiff Mary Lou Billings Lorna A. Troutman	07-01-12 to 12-31-12 01-01-13 to 12-31-15 01-01-16 to 12-31-16



STATE OF INDIANA
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TO: THE OFFICIALS OF THE SHOALS COMMUNITY SCHOOL
CORPORATION, MARTIN COUNTY, INDIANA

This report is supplemental to our audit report of the Shoals Community School Corporation (School Corporation), for the period from July 1, 2012 to June 30, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

March 24, 2016

SHOALS COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: six grants were omitted, several grant names were incorrect, and identifying numbers were not included. Audit adjustments in the amount of \$819,495 were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.

SHOALS COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

FINDING 2014-002 - ALLOWABLE COSTS

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Year (or Other Identifying Number): 12-5520, 13-5520, 14-5520

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system related to the grant agreement and the Allowable Costs compliance requirement. The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with the Allowable Costs compliance requirement related to the program.

The School Corporation had multiple employees whose wages were paid entirely from the Title I grant and one employee, the Title I Director, whose salary was paid from multiple cost objectives. The wages of the Title I employees paid entirely from the grant were correctly supported by semiannual certifications that were signed by the supervisory official with first-hand knowledge of the work performed by these employees. However, there was only one time a distribution report was presented, covering the month of September 2012, to support the salary charged to the grant for the Title I Director. No other reports were available for the audit period to support the distribution of the salary of the Title I Director as required by OMB Circular A-87.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

OMB Circular A-87, Attachment B, paragraph 8(h) states in part:

"(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,

SHOALS COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (b) A federal award and a non-Federal award,
 - (c) An indirect cost activity and a direct cost activity,
 - (d) Two or more indirect activities which are allocated using different allocation bases,
or
 - (e) An unallowable activity and a direct or indirect cost activity.
- (5) Personnel activity reports or equivalent documentation must meet the following standards:
- (a) They must reflect an after the fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee. . . ."

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, to ensure compliance with the grant agreement and the Allowable Cost compliance requirement and to comply with the requirements.

Shoals Community School Corporation

Candace Roush
Superintendent

Lisa C. Elliott
Treasurer

Andrea Qualkenbush
Corporation Secretary
Deputy Treasurer
Transportation Secretary

11741 Ironton Road
Shoals, Indiana 47581
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Lorna A. Troutman
President
James M. Bruner, Jr.
Vice President
Eva Neeley
Secretary
Mary Lou Billings
Member
Dianna Ragsdale
Member

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Lisa C. Elliott
Contact Phone Number: 812-247-2060

Description of Corrective Action Plan:

I will more thoroughly complete the Schedule of Expenditures of Federal Awards by checking the grants on the Form 9 and my monthly financial statement to ensure that I do not miss any Federal Grants on our next Annual Financial Report in Gateway. I was not aware of the need to put our Grant money that is ran through our Joint Service Agency on our report. I now realize that I will need to get these dollar amounts from the Joint Service Office every year.

After I prepare the list of Grant Awards, I will present a copy of the report to Candace Roush, Superintendent, for her to audit. If any corrections are needed, they will be adjusted at that time.

Anticipated Completion Date: Summer of 2016

Lisa C Elliott
Signature

Corp. Treasurer
Title

2/25/16
Date

Shoals Community School Corporation

Candace Roush
Superintendent

Lisa C. Elliott
Treasurer

Andrea Qualkenbush
Corporation Secretary
Deputy Treasurer
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Lorna A. Troutman
President

James M. Bruner, Jr.
Vice President

Eva Neeley
Secretary

Mary Lou Billings
Member

Dianna Ragsdale
Member

CORRECTIVE ACTION PLAN

FINDING 2014-002

Contact Person Responsible for Corrective Action: Candace Roush, Superintendent
Contact Phone Number: 812-247-2060

Description of Corrective Action Plan:

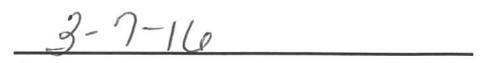
Our previous Title 1 Director, Pat Keefe, stated that she lost her time and effort logs while she was cleaning out her classroom when she retired and when her computer files were transferred from her school account to a new google drive account. She was only able to produce one log for September 2012. Ms. Keefe retired in May 2015, and our new director Myrna Greene took over. Myrna Greene is the new Title 1 director as well as paid Title 1 funds for being the elementary counselor for half of the day. Since Mrs. Greene started, she has been keeping and turning in her monthly time and effort logs. I keep them in a file in the Superintendent's office.

Anticipated Completion Date:

Since this is an ongoing monthly practice, there is no anticipated completion date. This is something that we are currently doing and will continue to do in the future.


(Signature)


(Title)


(Date)

SHOALS COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

PREPAID FOOD ACCOUNT

The School Corporation accounted for the prepaid food activity within the School Lunch fund. A separate clearing account for the prepaid food account activity had not been established as prescribed.

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (The School Administrator and Uniform Compliance Guidelines Vol. 183, Page 3)

CREDIT CARDS

The School Corporation was using credit cards to purchase items without an approved credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.

SHOALS COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

COLLECTIVE BARGAINING AGREEMENTS

The collective bargaining agreement, dated September 11, 2014, was not posted to the School Corporation's website within fourteen business days after the agreement was signed.

Indiana Code 20-29-6-19 states: "Not later than fourteen (14) business days after the parties have reached an agreement under this chapter, the school employer shall post the contract upon which the parties have agreed on the school employer's Internet web site."

COLLECTION OF AMOUNTS DUE

The School Corporation did not actively pursue collection of unpaid textbook rental charges. Reports were printed showing the unpaid balance of textbook rental charges as of the end of the 2013-14 school year. The elementary school reported an unpaid balance of \$1,835 and the Jr/Sr high school balance was \$5,724.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Indiana Code 20-33-5-11(b) states:

"Notwithstanding subsection (a), a school corporation may take any action authorized by law to collect unpaid fees from parents who are determined to be ineligible for assistance, including recovery of reasonable attorney's fees and court costs in addition to a judgment award against those parents."

A similar comment appeared in the prior audit report.

SHOALS COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 24, 2016, with Lisa C. Elliott, Treasurer; Candace Roush, Superintendent of Schools; Lorna A. Troutman, President of the School Board; Mary Lou Billings, School Board member; and Dianna Ragsdale, School Board member.